

# **IV. CURRENT SERVICES ESTIMATES AND THE PENDING POLICY AGENDA**



## IV. CURRENT SERVICES ESTIMATES AND THE PENDING POLICY AGENDA

The current services baseline shows what receipts, outlays, surpluses, and budget authority would be if no changes were made to laws already enacted. It is an essential starting point in developing the annual budget. Although it is not intended to be a prediction of the final outcome of the budget process, it serves several useful purposes. First, it provides a measuring stick against which competing proposals can be compared. The extent to which proposals change the level of services provided under current law can be readily determined and communicated. Second, it warns of future problems, either for Government fiscal policy as a whole or for individual tax and spending programs. The baseline levels of surpluses can provide policymakers with important information on what resources are available for priority needs.

OMB follows the rules in the Budget Enforcement Act (BEA) that specify how to develop baseline estimates. These rules require largely mechanical applications of estimating models. Receipts and mandatory programs are projected based on continuation of existing laws into the future. In some instances, the way the rules were written can understate the full demands on future resources. For example, baseline rules require that certain provisions of law that affect receipts and mandatory programs expire as specified under current law. In a number of cases, these provisions have been routinely extended in the past. Because it is widely assumed that they will again be extended at their expiration, the failure to include them in baseline estimates understates virtually certain demands on resources. A more prudent approach would be to include these expiring provisions as part of the baseline before considering further policy changes.

In this section of the document, we show the baseline estimates, discuss baseline anomalies and provide an adjusted baseline, provide alternative formulations for the discretionary baseline, and finally discuss and summarize pending Administration policies that provide an important reference point.

### Baseline Issues

Anomalies are created by the mechanical nature of the BEA baseline rules. This section discusses those anomalies and what they mean for the overall baseline.

***Expiring Mandatory and Receipts Provisions:*** The BEA rules require that expiring provisions of law not specifically covered by a BEA exemption be assumed to expire as scheduled in the current services baseline. As a result, a number of provisions that in the past have been routinely reauthorized by the Congress are not assumed to continue in the baseline estimates. Extension of expiring provisions of the tax code that have been previously extended would reduce tax receipts by \$118 billion over the 10 years, 2002 through 2011. Similarly, emergency farm aid is assumed only for the current crop year even though emergency aid has been provided to farmers routinely in recent years. If aid at the average level of the past three years were provided each year, total spending would increase by \$74 billion over the projection period. Some savings provisions that have been routinely extended are also affected by the BEA rules. For example, customs user fees are due to expire at the end of 2003. If extended, these fees would yield \$14 billion over the projection period. Table IV-1 provides a listing of expiring receipts and mandatory provisions that have been extended in the past.

**Table IV-1. Accounting for Expiring Provisions**

	Estimate		
	2002	2002-2006	2002-2011
<b>Revenue Provisions</b>			
(Revenue effect, in billions of dollars)			
Tax credit for first-time D.C. homebuyers .....		-0.1	-0.2
D.C. enterprise zone/renewal community designation .....			-0.1
Contributions of computer technology and equipment to schools .....		-0.3	-1.1
Archer Medical Savings Accounts (MSAs) .....	—*	-0.1	-0.2
Round I and Round II empowerment zones .....			-1.7
Tax credit for research and experimentation expenditures .....		-9.9	-48.9
Work opportunity tax credit .....	-0.1	-1.6	-5.0
Welfare-to-work tax credit .....	—*	-0.4	-1.3
Exclusion for employer-provided educational assistance .....	-0.2	-1.8	-4.2
Expensing of Brownfields environmental remediation costs .....		-1.0	-2.6
Generalized system of preferences (GSP) <sup>1</sup> .....	-0.3	-1.8	-4.2
Wind and biomass tax credit .....	—*	-0.2	-0.7
Net income limitation on percentage depletion from marginal wells .....	—*	-0.1	-0.3
Qualified zone academy bonds .....	—*	-0.1	-0.7
Exceptions provided under Subpart F for active financing income .....	-0.9	-7.2	-16.2
Treatment of nonrefundable personal credits under AMT .....	-0.3	-9.0	-39.1
IRS letters of determination .....		0.1	0.3
Luxury tax on passenger vehicles <sup>1</sup> .....		0.5	1.3
Abandoned mine reclamation fund <sup>1</sup> .....		0.4	1.6
FUTA surtax of 0.2 percentage points <sup>1</sup> .....			5.5
Total, revenue provisions .....	-1.8	-32.3	-117.8
<b>Mandatory Provisions</b>			
(Outlay effect, in billions of dollars)			
CCC conservation technical assistance .....	*	0.2	0.4
CCC emergency farm income and crop/livestock loss assistance .....	7.3	36.6	73.3
Customs user fees .....		-4.6	-13.8
Medicaid transitional medical assistance .....	0.4	2.1	5.0
Recreation fee demonstrations .....		0.1	0.5
Veterans housing:			
Fee increase of .75 for loans .....			-0.6
Fee for subsequent loans .....			-0.3
Inclusion of resale losses in net calculation .....			—*
Veterans compensation and pensions:			
IRS income verification .....		—*	-0.1
Round down COLAs .....		-0.2	-0.8
Limit VA pensions to Medicaid-eligible recipients .....			-0.5
Total, mandatory provisions .....	7.7	34.1	63.0
Total, revenue and mandatory provisions (surplus impact) .....	-9.5	-66.5	-180.8

\* \$50 million or less.

<sup>1</sup> Net of income offsets.

***Non-Defense Discretionary Anomalies in the Baseline:*** Application of BEA baseline rules to each program and account can lead to exaggerated or understated program levels in some instances, thus misstating the funding needed to meet future demands. For example, there are two instances where there are already enacted caps for specific discretionary programs at levels above the inflation-adjusted levels required by the BEA. The Transportation Equity Act for the 21st Century (TEA-21) established new caps for highway and mass transit spending that created a guaranteed spending level tied to the collections of receipts in the Highway trust fund. Failure to acknowledge the higher TEA-21 levels leads to an understatement of transportation spending of \$24 billion over the 10-year projection period. Likewise, the new conservation spend-

ing category established in this year's appropriations bills provides dedicated funding, which may be appropriated for conservation programs. The BEA baseline underfunds these programs by \$7 billion over 10 years compared to the newly enacted caps.

There are also specific programmatic reasons that BEA baseline rules fail to accurately estimate funding needs. For example, the decennial census was just completed and enacted spending for the census in 2001 is relatively low. However, spending on the census will need to increase as the cycle for the next census begins. If the spending on the census follows its traditional path, spending would be \$9 billion higher over the 10-year projection period than projected under BEA baseline rules. Other anomalies created by BEA rules are the result of

**Table IV-2. Major Anomalies Caused by BEA Baseline Rules**

(In billions of dollars)

	Estimate		
	2002	2002-2006	2002-2011
Reflect previously enacted caps for specific programs:			
Highways:			
Budget Authority .....	2.1	10.9	23.1
Outlays .....	0.6	7.7	19.3
Mass transit:			
Budget Authority .....	0.4	3.2	7.1
Outlays .....	*	1.4	5.0
Conservation programs:			
Budget Authority .....	0.3	2.6	7.3
Outlays .....	-0.2	2.1	6.6
Subtotal, reflect enacted caps:			
Budget Authority .....	2.7	16.8	37.5
Outlays .....	0.4	11.1	30.9
Examples of major anomalies:			
Reflect outyear cyclical Census spending:			
Budget Authority .....	0.1	1.3	9.5
Outlays .....	0.1	1.2	9.4
Reflect lack of outyear needs for Woodrow Wilson Bridge:			
Budget Authority .....	-0.6	-3.2	-6.7
Outlays .....	-0.2	-2.3	-5.8
<b>Total:</b>			
Budget Authority .....	2.2	14.8	40.2
Outlays .....	0.3	10.1	34.5

\*\$50 million or less.

oddities in the 2001 appropriated level. For example, one-time funding was provided in 2001 for the construction of the Woodrow Wilson Bridge across the Potomac River. The baseline, however, assumes continued funding at the same level into the future in the bridge account. Table IV-2 provides a listing of several large anomalous results that arise from application of BEA baseline rules.

### Baseline Alternatives

Discretionary, or annually funded, programs are estimated by adjusting the current year enacted level by inflation into future years. In recent years, discretionary appropriations have grown above the rate of inflation and at the same time discretionary programs, both for defense and non-defense purposes, were at all time lows as a percent of GDP in 1999. While the inflation adjustment specified by the BEA is an approximate measure to maintain the purchasing power of Federal programs, there are several other approaches to projecting discretionary funding needs that should be considered.

- Many programs would be expected to need more funding to serve an increasing population. A reasonable expected growth rate for discretionary spending might be inflation plus population growth. For example,

funding for the Child Care and Development Block Grant provides assistance to a set number of children per year under baseline rules. As the population of young children grows, a smaller percentage of them will be assisted under the program at this funding level. If population were factored in to the baseline calculations for discretionary programs, outlays for discretionary programs would grow by \$362 billion over 10 years.

- Another reasonable expected growth pattern for discretionary spending is to allow it to grow with the economy. Outlays for discretionary programs would grow by \$979 billion over 10 years compared with the inflation adjustment in the current services estimates.
- Unlike other agencies, budgeting for the Department of Defense (DOD) is based on multi-year plans with large research, procurement, and construction needs. It is normal to measure changes in funding for DOD from the previous long-term plan rather than a baseline developed under BEA baseline rules. The level under BEA baseline rules would protect the value of the \$112 billion defense budget authority increase provided by the President in the 2000 Budget, subsequent changes in law,

**Table IV-3. Bridge from BEA Baseline Surplus to Anomaly Adjusted Baseline Surplus**

(In billions of dollars)

	Estimate		
	2002	2002-2006	2002-2011
On-budget surplus (excluding HI) applying BEA rules .....	69	474	1,914
Adjustments for:			
Extension of expiring provisions:			
Revenues. ....	-2	-32	-118
Mandatory programs .....	-8	-34	-63
Reflect previously enacted caps for specific programs .....	—*	-11	-31
Adjust for major anomalies .....	*	1	-4
Related debt service .....	—*	-10	-56
Subtotal, adjustments .....	-10	-86	-271
Surplus with adjustments .....	58	388	1,643

\*\$50 million or less.

and would be sufficient to accommodate potential increases. This baseline level would continue high levels of readiness, offset the impact of higher fuel and inflation costs, and finance the expanded health care and pay provisions enacted in the 2001 National Defense Authorization Act.

### **Pending Policy Proposals**

While this Administration has many legislative and budgetary achievements, there are a number of policy goals that remain unfinished. The following section discusses a number of examples of both legislation and funding that reflect this remaining agenda. (See Table IV-4.)

***Medicare and Social Security Lockboxes:*** The Administration remains committed to solvency the long-term solvency problems of medicare and social security. Locking away the trust fund surpluses ensures that these resources are used to reduce public debt and not used for other purposes. The medicare and social security chapters of Section III discuss the specifics of the Administration's proposals.

***Medicare Prescription Drug Benefit:*** The President proposed to modernize the medicare benefit structure by adding a long-overdue voluntary outpatient prescription drug benefit. The Administration's proposal offers a broad based benefit through the medicare program which ensures that all medicare beneficiaries receive a standard, affordable drug benefit. This historic drug benefit has no deductible and pays for half of the beneficiary's drug costs from the first prescription filled each year up to \$5,000 in spending when fully phased-in. It also ensures that beneficiary liability for drug cost sharing is limited to \$4,000. The benefit provides beneficiaries with a price discount similar to that offered by many employer-sponsored plans for each prescription purchased—even after the \$5,000 limit is reached. The Administration's plan ensures

low-income beneficiaries assistance with cost-sharing. The Administration estimates the costs of this benefit at \$253 billion over 10 years.

***Equity in Benefits for Legal Immigrants:*** The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) placed eligibility restrictions on benefits to legal immigrants that were unrelated to the goal of moving people from welfare to work. In addition to restrictions on Supplemental Security Income, hundreds of thousands of legal immigrants face restrictions on access to food stamps and medicaid, which presents important health implications for noncitizens as well as citizen children. While subsequent legislation substantially restored benefit eligibility to many immigrants who were in the United States when PRWORA was enacted, the remaining restrictions leave too many immigrants in a precarious position should they suffer a disabling injury or other hardship that affects their ability to support themselves and their families, including their citizen children. For example, children and pregnant women who are legal immigrants are not eligible for health insurance through medicaid or SCHIP for five years. PRWORA restrictions contributed to a 22-percent decline in Medicaid/SCHIP coverage of legal immigrant children between 1995 and 1999. Nearly half of immigrant children lack a regular source of health care, often ending up in expensive emergency rooms. For reasons of equity and public health, these restrictions should be reversed. In addition, although the Administration sought legislation to eliminate the disparate treatment of refugees under our immigration laws, it was not successful. It is important that work continue to provide full parity for Salvadorans, Guatemalans, Hondurans, Haitians, and Liberians with other refugees. It is unjust to treat refugees fleeing repression by some dictators better than those fleeing other equally oppressive regimes. A fair, uniform set of procedures for all of these refugees must be created.

**Table IV-4. Pending Policy Proposals**

(Budget authority, in millions of dollars)

Program	2000 Enacted	2001		2001 Funding Shortfall	Program Shortfall 2002-2011
		Request	Enacted		
<b>Education:</b>					
After School .....	453	1,000	846	-154	-1,818
Eisenhower Title II Teaching to High Standards ....	23	690	485	-205	-2,421
Teaching to High Standards, National Activities ....	23	255	82	-173	-2,043
School Renovation .....		1,300	1,200	-100	-1,181
Class Size Reduction .....	1,300	1,750	1,623	-127	-1,500
Head Start .....	5,267	6,267	6,200	-67	-791
National Service .....	437	534	463	-71	-838
National Endowment for the Arts .....	98	150	105	-45	-531
National Endowment for the Humanities .....	116	150	120	-30	-354
<b>Civil Rights:</b>					
Outreach for Socially-Disadvantaged Farmers .....	3	10	3	-7	-83
Civil Rights Division (Justice) .....	82	98	92	-6	-71
Legal Services Corporation .....	304	340	330	-10	-118
Equal Employment Opportunity Commission .....	281	322	304	-18	-213
Fair Housing (HUD) .....	77	50	46	-4	-47
<b>Environment:</b>					
Natural Resources Conservation Service .....	661	747	714	-33	-390
Clean Water Action Plan .....	57	105	76	-29	-342
Climate Change (including Climate Change Technology Initiative and Montreal Protocol) .....	151	324	173	-151	-1,783
Wetlands Reserve Program .....	145	259	147	-112	-1,322
Coastal Zone Management Grants .....	59	159	77	-82	-968
Solar and Renewable Energy .....	310	410	375	-35	-413
California Bay-Delta .....	60	60		-60	-708
Everglades Restoration .....	95	135	118	-17	-201
Columbia River Salmon Restoration .....	68	91	81	-10	-118
Clean Water Action Plan .....	196	211	202	-9	-106
Brownfields (HUD) .....	25	50	25	-25	-295
Superfund .....	1,270	1,337	1,270	-67	-791
Clean Air Partnership .....		85		-85	-1,004
Environmental Quality Improvement Program .....	174	325	174	-151	-1,783
<b>International:</b>					
International Development Association .....	771	836	775	-61	-720
Global Environment Facility .....	36	176	108	-68	-803
Other Multilateral Development Banks .....	172	237	158	-79	-933
Nonproliferation, Anti-terrorism, Demining, and Related Programs .....	218	353	312	-41	-484
Export/Import Bank .....	796	1,010	911	-99	-1,169
Middle East .....		750		-750	-1,200
International Population/Family Planning .....	328	484	368	-116	-1,370
Other International Funding .....	2,137	2,390	2,288	-102	-1,204
<b>Counterterrorism:</b>					
Bioterrorism (FDA) .....	8	12	5	-7	-83
Counterterrorism .....	822	1,039	927	-112	-1,323
<b>Research, Development, and Technology:</b>					
Agriculture Research Initiatives .....	159	324	174	-150	-1,771
Bioproducts/Bioenergy .....	57	94	63	-31	-366
Food and Nutrition Service Research .....		17	1	-16	-189
Advanced Technology Program .....	211	200	191	-9	-106
National Science Foundation .....	3,897	4,572	4,426	-146	-1,724
Connect America's Families .....		50		-50	-590
DTV Transition for Public Broadcasters .....	27	110	44	-66	-779



**Table IV-4. Pending Policy Proposals—Continued**

(Budget authority, in millions of dollars)

Program	2000 Enacted	2001		2001 Funding Shortfall	Program Shortfall 2002–2011
		Request	Enacted		
<b>Law Enforcement:</b>					
COPS/21st Century Policing Initiative .....	903	1,135	937	–198	–2,338
Gun Prosecutors .....		150	75	–75	–886
Community Prosecutors .....	10	50	25	–25	–295
Immigration and Naturalization .....	2,992	3,270	3,224	–46	–543
Native American Law Enforcement .....	350	508	391	–117	–1,381
Customs Air and Marine Enforcement .....	109	157	133	–24	–283
<b>Labor:</b>					
Dislocated Workers .....	1,589	1,771	1,590	–181	–2,137
International Labor Activities .....	70	167	148	–19	–224
Youth Opportunity Grants .....	250	375	275	–100	–1,181
Fathers Work/Families Win .....		255		–255	–3,011
One-Stop Career Centers .....	130	174	170	–4	–47
Youth Violence .....		115	75	–40	–472
Minimum Wage Increase (Older Americans/Youth Activities) .....		139		–139	–1,641
<b>Health:</b>					
Family Planning .....	239	274	254	–20	–236
<b>Housing and Community Development:</b>					
HUD Incremental Vouchers .....	347	643	453	–190	–2,243
Empowerment Zones .....	70	200	90	–110	–1,299
America’s Private Investment Companies .....	20	37		–37	–437
Community Development Financial Institutions .....	115	125	118	–7	–83
Distressed Public Housing (HOPE VI) .....	575	625	575	–50	–590
Fund for Rural America .....	60	60	30	–30	–354
Amtrak/Expanded Intercity Rail Service .....	571	989	521	–468	–5,526
<b>Maintaining Basic Government Services:</b>					
FAA Operations/Safety .....	5,968	6,592	6,544	–48	–567
IRS Operations and Modernization .....	8,218	8,939	8,855	–84	–992
Critical Infrastructure Protection (GSA) .....		15	8	–7	–83
Repair and Alterations of Public Buildings .....	666	721	679	–42	–496
Construction of Public Buildings .....	87	679	395	–284	–3,353
Bureau of Indian Affairs Operations .....	1,640	1,795	1,741	–54	–638

***Bipartisan Family Opportunity Act for Children with Disabilities:*** Children with disabilities have special health care needs; they are more likely to be ill as well as use more hospital days than other children. Because private insurance is often inaccessible or unaffordable for people with disabilities, many parents of children with special needs turn down jobs, raises, and overtime to keep their income low enough so that their children qualify for medicaid. The Family Opportunity Act would establish a new medicaid buy-in option for children with disabilities in families with income up to 300 percent of poverty (\$42,000 for a family of three). The original bill had 78 cosponsors in the Senate (S. 2274) and 140 cosponsors in the House (H.R. 4825).

The Congressional Budget Office cost of the provision is \$2.1 billion over five years and \$7.3 billion over 10 years.

***Class Size Reduction:*** The 2001 appropriation provided \$1.6 billion to help school districts hire and train 37,000 high quality teachers to reduce class sizes in the early grades to an average of 18 students per class. This was the third installment in the bipartisan commitment to hire 100,000 teachers by 2005 to reduce class sizes in grades 1–3.

***School Modernization:*** According to a recent report by the National Center for Education Statistics, half of the nation's public schools need repairs at a total estimated cost of \$127 billion. The 2001 appropriation

established a new \$1.2 billion school renovation grant program that will help schools finance emergency repairs. This initiative was one component of a two-part strategy proposed by the Clinton-Gore Administration this past year. The second component—also essential to adequately address our substandard schools—was legislation that won 230 cosponsors in the House of Representatives that would have authorized Federal tax credits to support \$25 billion in local School Modernization Bonds.

**After-School Programs:** Statistics provided by the General Accounting Office (GAO), the National Institute on Out-of-School Time, and other surveys show that the lack of affordable, accessible after-school opportunities for school-age children means that an estimated eight million and up to as many as 15 million “latchkey children” on any given day go home to an empty house after school. Studies by the FBI and youth-advocacy groups have found that the peak hours for juvenile crime and victimization are from 2 p.m. to 8 p.m.—hours when youth are most often without supervision. The 2001 appropriation provided \$846 million, compared with the Administration’s request of \$1.0 billion, to fund after-school programs for approximately 1.3 million children. A significant expansion of this program is necessary to meet the needs of “latch-key” children and their parents as well as providing every child in a failing school the opportunity to receive extended learning services.

**National Security Investments:** While the concerted efforts of the Administration have increased the international affairs budget function from its nadir in FY 1996, overall spending levels have decreased significantly in real terms—almost nine percent since 1993, and over 19 percent since 1986. At the same time, the costs of pursuing U.S. national interests overseas continue to increase, as we attempt to adequately protect our diplomats overseas, continue efforts to encourage peace in the Middle East and transitions to democracy in Eastern Europe and the former Soviet Union, respond to increasingly severe man-made and natural disasters, and increase efforts to control the global spread of HIV/AIDS, stem the flow of drugs to our shore, and address other global problems that directly impact our quality of life in the United States. In order to meet these needs, the effort to gain bipartisan

approval of an international affairs budget that effectively and efficiently funds our pursuit of these national interests should continue.

Since the terrorist bombings of two embassies in Africa in 1998, the Administration has embarked upon an unprecedented program of security initiatives around the world. The Administration initiated a long-term capital program. Because it will take a multi-year effort to address these vulnerabilities, advanced appropriations of \$3.4 billion over the 2002 through 2005 period were proposed to sustain that program.

The leadership provided by the United States in seeking stability in the Middle East serves our overall national interest, because conflict in the region poses such significant threats to U.S. political, economic, and security interests. As an integral part of the ongoing effort to achieve a comprehensive Middle East peace agreement, there is a pending request of \$750 million in supplemental 2001 funding and an additional \$500 million in 2002 funding that has been recommended to assist those countries and parties in the Middle East that undertake constructive steps to move the process forward. It is imperative that the United States continue forward with its efforts to bring the parties together in a workable solution to this conflict, which could in turn open the door to a final comprehensive peace agreement.

### **Current BEA Baseline Definitions and Estimates**

The BEA established different estimating rules for the two major categories of receipts and outlays: those controlled by authorizing legislation (direct spending and receipts) and those controlled through the annual appropriations process (discretionary spending).

**Direct Spending and Receipts:** Direct spending includes the major entitlement programs, such as social security, medicare, medicaid, Federal employee retirement, unemployment compensation, food stamps and other means-tested entitlements. It also includes such programs as deposit insurance and farm price and income supports, where the Government is legally obligated to make payments

under certain conditions. Receipts and direct spending are alike in that they involve ongoing activities that generally operate under permanent authority (they do not require annual appropriations), and the underlying statutes generally specify the tax rates or benefit levels that must be collected or paid, and who must pay or who is eligible to receive benefits. The current services baseline assumes that receipts and direct spending continue in the future as specified by current law. In most cases, that is what will occur without enactment of new legislation.

The BEA requires that current services estimates assume extension of two types of authority. First, expiring provisions affecting excise taxes dedicated to a trust fund are assumed to be extended at current rates. During the projection period of 2001 through 2011, taxes deposited in the Highway trust fund, Airport and Airways trust fund, Aquatic Resources trust fund, and Leaking Underground Storage Tank trust fund are scheduled to expire. The current services baseline assumes extension of these taxes, increasing receipts by \$287 billion over the period. Second, direct spending programs that will expire under current law are assumed to be extended if their 2001 outlays exceed \$50 million. Programs that will expire under current law but are extended throughout the projection period include food stamps, farm price supports, child nutrition programs, and temporary assistance to needy families (TANF). Provisions of law not specifically covered by the two exceptions discussed above are assumed to expire as scheduled in the current services baseline.

**Discretionary Programs:** Discretionary programs differ in one important aspect from direct spending programs—Congress usually provides spending authority for discretionary programs one year at a time. The spending authority is normally provided in the form of annual appropriations. Absent appropriations of additional funds in the future, discretionary programs would cease to exist after remaining balances were spent. The BEA requires that the baseline assume that discretionary programs will maintain program resources at the enacted level for the current year in real terms throughout the projection period. The BEA also specifies that non-pay funding be inflated

using the GDP deflator and that pay-related funding be inflated using the rate of growth in average wages for private sector employees.

**Current Estimates:** The current services baseline surplus, as defined by the BEA, is \$256 billion in 2001 and \$277 billion in 2002 under current assumptions. Table IV-5 presents current services receipts, outlays, and surpluses for the 10-year projection period. They are shown on a unified budget basis. The table also shows the surplus separately for off-budget social security and Postal Service, the Hospital Insurance trust fund, and all other programs. The estimates are based on the economic assumptions presented in Section II of this document, which are summarized in Table IV-8.

Many other assumptions must be made in order to calculate the baseline estimates. These include the number of beneficiaries who receive payments from the major benefit programs and annual cost-of-living adjustments in the indexed programs. Assumptions on baseline caseload projections for the major benefit programs are shown in Table IV-9, while assumptions about various cost-of-living adjustments are shown in Table IV-8. It is also necessary to make assumptions about extension of expiring programs and provisions, as discussed above, and other important program parameters. These include assumptions about the timing and substance of regulations that will be issued over the projection period, the use of administrative discretion provided under current law, and other assumptions about the way programs operate. Table IV-10 provides a list of many of these assumptions and their impact on the baseline estimates. It is not intended to be an exhaustive listing; the variety and complexity of Government programs are too great to provide a complete list. Instead, some of the more important program assumptions are shown.

**Receipts.** Table IV-6 shows baseline receipts by major source. Total receipts are projected to increase by \$85 billion from 2001 to 2002, and by \$1,224 billion from 2002 to 2011, largely due to assumed increases in incomes resulting from both real economic growth and inflation.

**Table IV-5. Current Services Estimates, 2000-2011**

(In billions of dollars)

	2000 Actual	Estimate			
		2001	2002	2002-2006	2002-2011
Receipts .....	2,025	2,125	2,210	12,086	27,587
Outlays:					
Discretionary:					
Department of Defense (DOD) .....	282	289	291	1,570	3,380
Non-DOD .....	335	365	390	2,068	4,421
Subtotal, discretionary .....	617	654	682	3,637	7,801
Mandatory:					
Social security .....	406	431	451	2,506	5,849
Medicare .....	194	219	226	1,279	3,030
Medicaid .....	118	129	143	845	2,135
All other .....	231	225	239	1,304	2,957
Subtotal, mandatory .....	949	1,004	1,059	5,935	13,971
Net interest .....	223	210	192	761	818
Total, outlays .....	1,789	1,868	1,933	10,333	22,591
Surplus .....	236	256	277	1,753	4,996
Social security and postal service .....	150	158	174	1,060	2,551
Medicare hospital insurance .....	30	27	35	218	532
Remaining on-budget .....	57	71	69	474	1,914
<b>Memorandum:</b>					
Adjustments for expiring provisions and discretionary anomalies .....			-10	-86	-271
Resulting surplus .....	236	256	267	1,666	4,725

**Table IV-6. Baseline Receipts by Source**

(In billions of dollars)

	Estimate		
	2001	2002	2011
Individual income taxes .....	1,061	1,097	1,766
Corporation income taxes .....	212	214	277
Social insurance receipts. ....	688	725	1,145
Excise taxes .....	71	74	96
Estate and gift taxes .....	31	33	50
Customs duties .....	21	23	36
Miscellaneous receipts:			
Federal reserve deposits .....	28	33	47
Other .....	11	11	17
Total, miscellaneous receipts .....	39	44	64
Total, governmental receipts .....	2,125	2,210	3,434

Individual income tax receipts are estimated to increase by \$36 billion from 2001 to 2002 under current law. This growth of 3.4 percent is primarily the result of the effect of increased collections resulting from rising personal incomes. Individual income taxes grow at an average annual rate of 5.4 percent between 2002 and 2011. Corporation income taxes under current law are estimated to increase by \$2 billion, or 0.9 percent, from 2001 to 2002 due to higher corporate profits. These taxes continue growing at an annual average growth rate of 2.9 percent from 2002 through 2011.

Social insurance receipts are estimated to increase by \$36 billion between 2001 and 2002 and by an additional \$421 billion between 2002 and 2011. The estimates reflect assumed increases in total wages and salaries paid, and scheduled increases in the social security taxable earnings base from \$80,400 in 2001 to \$126,600 in 2011.

Excise taxes are estimated to increase by \$25 billion from 2001 to 2011, in large part due to increased economic activity. Other baseline receipts (estate and gift taxes, customs duties, and miscellaneous receipts) are projected to increase by \$58 billion from 2001 to 2011.

*Outlays.* Current services outlays are projected to grow from \$1,868 billion in 2001 to \$1,933 billion in 2002, a 3.4 percent increase. Between 2002 and 2011, they are

projected to grow at an average annual rate of 3.5 percent. Outlays for discretionary programs increase from \$654 billion in 2001 to \$682 billion in 2002, and to \$876 billion in 2011, largely reflecting increases in resources to keep pace with inflation.

Outlays for entitlement and other mandatory programs are estimated to grow from \$1,004 billion in 2001 to \$1,059 billion in 2002, and to \$1,822 billion in 2011, due in large part to changes in the number of beneficiaries and to automatic cost-of-living adjustments and other adjustments for inflation. Social security outlays grow from \$451 billion in 2002 to \$756 billion in 2011, an average rate of 5.9 percent. Over the same period, medicare and medicaid are projected to grow at annual average rates of 6.6 percent and 8.7 percent, respectively, outpacing inflation. Unemployment compensation also grows substantially over the projection period. Spending on agriculture programs declines by \$7 billion from 2001 to 2002, reflecting the expiration of emergency aid. Net interest payments to the public are estimated to decline over the period, reflecting reduced borrowing by the Government resulting from projected surpluses over the period. Toward the end of the period, net interest payments turn negative reflecting earnings on excess balances. Policy decisions will be required on the use of the surpluses that are accumulated as excess balances.

**Table IV-7. Change in Baseline Outlays by Category**

(In billions of dollars)

	Estimate			Change from:	
	2001	2002	2011	2001-2002	2002-2011
<b>Discretionary:</b>					
Department of Defense (DOD) .....	289	291	383	2	91
Non-DOD .....	365	390	493	25	103
Subtotal, discretionary .....	654	682	876	27	194
<b>Mandatory:</b>					
Social Security .....	431	451	756	20	305
Medicare .....	219	226	402	8	175
Medicaid .....	129	143	303	14	160
Federal employee retirement and disability .....	81	84	126	3	42
Unemployment compensation .....	22	26	48	3	22
Agriculture .....	20	13	10	-7	-3
Undistributed offsetting receipts .....	-47	-51	-70	-4	-19
All other .....	148	166	247	18	81
Subtotal, mandatory .....	1,004	1,059	1,822	55	763
Net interest .....	210	192	-75	-18	-267
Total, outlays .....	1,868	1,933	2,623	64	691

**Table IV-8. Summary of Economic Assumptions**  
(Dollar amounts in billions)

	2000 Actual	Estimate										
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Gross Domestic Product (GDP):												
Levels, dollar amounts in billions:												
Current dollars .....	9,830	10,402	10,954	11,543	12,163	12,817	13,501	14,208	14,936	15,692	16,487	17,321
Real, chained (1996) dollars .....	9,244	9,569	9,876	10,192	10,518	10,855	11,198	11,541	11,883	12,227	12,582	12,946
Percent change, year over year:												
Current dollars .....	7.4	5.8	5.3	5.4	5.4	5.4	5.3	5.2	5.1	5.1	5.1	5.1
Real, chained (1996) dollars .....	5.4	3.5	3.2	3.2	3.2	3.2	3.2	3.1	3.0	2.9	2.9	2.9
Inflation measures (percent change, year/year):												
GDP chained price index .....	1.9	2.1	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Consumer price index (all urban) .....	3.3	2.9	2.5	2.6	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Unemployment rate, civilian (percent) .....	4.1	4.1	4.4	4.6	4.7	4.8	4.9	5.0	5.1	5.1	5.1	5.1
Interest rates (percent):												
91-day Treasury bills .....	5.6	6.0	5.8	5.5	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
10-year Treasury notes .....	6.2	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.8
Memorandum												
Related programmatic assumptions:												
Automatic benefit increases (percent):												
Social security and veterans pensions .....	2.4	3.5	2.5	2.5	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Federal employee retirement .....	2.4	3.5	2.5	2.5	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Food stamps .....	1.8	1.8	3.1	2.5	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Insured unemployment rate .....	1.7	1.7	1.9	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1	2.1

**Table IV-9. Beneficiary Projections for Major Benefit Programs**  
(Annual average, in thousands)

	2000 Actual	Estimate										
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Federal family education loans .....	3,847	4,003	4,112	4,264	4,422	4,587	4,760	4,941	5,129	5,327	5,534	5,751
Federal direct student loans .....	1,902	2,053	1,960	2,031	2,105	2,182	2,263	2,348	2,436	2,527	2,623	2,724
Foster care and adoption assistance .....	517	551	592	639	689	742	800	860	926	999	1,079	1,167
Medicaid .....	33,400	33,900	34,300	34,700	35,100	35,500	35,900	36,300	36,700	37,200	37,600	38,000
State Children's Health Insurance Program .....	2,100	2,600	2,900	3,200	3,300	3,000	2,900	2,700	2,600	2,400	2,500	2,500
Medicare-eligible military retiree health benefits <sup>1</sup> .....				1,617	1,646	1,666	1,684	1,701	1,717	1,724	1,727	1,740
Medicare:												
Hospital insurance .....	39,131	39,581	40,016	40,493	41,028	41,601	42,232	42,985	43,879	44,820	45,723	46,791
Supplementary medical insurance .....	37,254	37,673	38,007	38,377	38,803	39,255	39,760	40,361	41,124	41,946	42,714	43,550
Railroad retirement .....	682	664	645	626	609	593	578	565	553	542	534	527
Federal civil service retirement .....	2,372	2,387	2,408	2,432	2,459	2,488	2,518	2,544	2,567	2,590	2,613	2,636
Military retirement .....	1,950	1,964	1,977	1,990	2,000	2,010	2,018	2,026	2,034	2,039	2,044	2,049
Unemployment compensation .....	6,920	7,360	7,890	8,250	8,390	8,570	8,760	8,980	9,170	9,200	9,260	9,330
Food stamps .....	17,163	17,481	18,156	18,703	18,822	19,019	19,247	19,476	19,692	19,812	19,877	19,973
Child nutrition .....	29,686	30,208	30,739	31,239	31,653	32,015	32,345	32,674	33,008	33,350	33,697	34,033
Supplemental security income (SSI):												
Aged .....	1,203	1,185	1,172	1,162	1,153	1,143	1,134	1,124	1,113	1,102	1,091	1,082
Blind/disabled .....	5,125	5,142	5,220	5,313	5,414	5,519	5,625	5,728	5,826	5,917	6,001	6,078
Subtotal, SSI .....	6,328	6,327	6,392	6,475	6,567	6,662	6,759	6,852	6,939	7,019	7,092	7,160
Child care and development fund <sup>2</sup> .....	1,816	2,058	2,116	2,144	2,153	2,153	2,153	2,153	2,153	2,153	2,153	2,153
Social security (OASDI):												
Old age and survivor insurance .....	38,205	38,860	39,201	39,546	39,914	40,361	40,860	41,400	42,019	42,823	43,797	44,802
Disability insurance .....	6,559	6,741	6,982	7,262	7,599	7,963	8,342	8,730	9,116	9,471	9,782	10,104
Veterans compensation .....	2,607	2,632	2,681	2,720	2,750	2,773	2,784	2,790	2,790	2,782	2,767	2,744
Veterans pensions .....	635	610	587	568	550	535	522	510	501	493	486	481

<sup>1</sup> Mandatory funding of this program begins in 2003.

<sup>2</sup> Includes mandatory child care entitlement to States, discretionary Child Care and Development Block Grant, and TANF transfers.



**Table IV-10. Impact of Regulations, Expiring Authorizations, and Other Assumptions in the Baseline**

(In millions of dollars)

Category	Estimate										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>REGULATIONS</b>											
Old age and survivors insurance (OASI) and disability insurance (DI):											
Disability redesign prototypes .....	70	155	360	751	1,247	1,776	2,321	2,887	3,472	4,066	4,684
Ticket to Work and Self-Sufficiency (767P) .....		2	2	3	-10	-20	-29	-41	-64	-101	-101
Administrative procedures for imposing penalties for false or misleading statements .....	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Reduction of Title II benefits under family maximum in cases of dual enrollment .....	13	14	14	15	16	17	18	19	20	21	23
Trial work period .....	7	6	5	5	4	3	3	2	1	1	.....
Medicare, HI:											
BIPA Codifying regulations .....	2,780	5,035	3,180	3,330	3,460	3,160	2,670	2,640	2,790	2,910	3,080
BBRA Codifying Regulations .....	2,675	2,210	1,019	665	477	660	633	649	676	NA	NA
BBA 1997 Codifying Regulations .....	-41,680	-49,460	-56,135	-62,905	-68,620	-74,130	-80,125	NA	NA	NA	NA
Disability redesign prototypes .....		1	14	38	88	174	286	407	532	660	799
Medicare, SMI:											
BIPA Codifying regulations .....	2,030	3,260	3,900	4,520	5,680	6,705	7,165	7,555	8,140	8,700	9,450
BBRA Codifying Regulations .....	3,943	2,992	1,624	468	210	289	255	265	275	NA	NA
BBRA Administrative Clarification Codifying Regulations .....	800	930	1,150	1,510	1,790	1,860	2,060	2,240	2,450	NA	NA
BBA 1997 Codifying Regulations .....	4,865	8,430	11,675	11,760	11,965	12,210	12,560	NA	NA	NA	NA
Disability redesign prototypes .....		1	13	36	85	170	284	409	541	680	833
Medicare, HI and SMI:											
Identification of potential organ, tissue, and eye donors .....	115	160	200	240	NA	NA	NA	NA	NA	NA	NA
Medicare clinical trials expansion .....	620	690	790	840	900	960	1,020	1,090	1,160	1,230	NA
Extending TRICARE coverage to medicare-eligible military retirees .....		110	330	380	410	440	460	490	520	550	NA
Medicaid:											
BIPA Codifying regulations .....	220	650	-1,980	-2,910	-4,100	-4,970	-5,520	-6,080	-6,700	-7,100	-7,520
BBRA Codifying Regulations .....	375	279	158	114	99	107	110	119	123	128	NA
BBA 1997 Codifying Regulations .....	-660	-1,071	-1,628	-1,825	-1,985	-2,126	-2,350	NA	NA	NA	NA
SSI childhood disability standard to implement welfare reform (Medicaid effect) .....	-125	-135	-150	NA	NA	NA	NA	NA	NA	NA	NA
Removal of the 100 hour limitation on employment .....	140	160	175	190	210	225	245	265	285	NA	NA
1902 (R) (2) regulation .....	40	125	220	230	245	255	270	280	295	310	325
Disability redesign prototypes .....	3	40	120	310	576	876	1,204	1,553	1,928	2,329	2,753
Medicare and Medicaid:											
Net Medicaid and Medicare effects of upcoming SSA regulation on the substantial gainful activity earnings threshold .....	-9	-11	-13	-19	-38	-46	-60	-83	-89	NA	NA
Supplemental security income (SSI):											
Disability redesign prototypes .....	4	30	81	188	335	437	510	664	779	893	1,084
Ticket to Work and Self-Sufficiency (767P) .....		-1	3	4	-6	-16	-27	-36	-50	-65	-65

**Table IV-10. Impact of Regulations, Expiring Authorizations, and Other Assumptions in the Baseline—  
Continued**

(In millions of dollars)

Category	Estimate										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Title XVI cross-program recovery (746P) .....	-15	-15	-15	-40	-30	-15	-15	-15	-15	-20	-20
Administrative procedures for imposing penalties for false or misleading statements .....	-2	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Student earned income exclusion .....	3	3	3	3	4	4	4	4	5	5	5
Veterans medical care:											
Nursing home co-pays .....		-41	-82	-82	-82	-82	-82	-82	-82	-82	-82
Environmental Protection Agency:											
Pesticide registration fees .....		-25	-26	-27	-28	-30	-31	-32	-34	-35	-37
Pesticide tolerance fees .....		-40	-57	-43	-14						
<b>EXPIRING AUTHORIZATIONS</b>											
Provisions extended in the baseline (effect of extension):											
Spending:											
Child care entitlement to States .....			2,717	2,717	2,717	2,717	2,717	2,717	2,717	2,717	2,717
Child nutrition:											
Summer food service program .....				377	403	427	451	478	505	534	565
State administrative expenses .....				144	152	160	167	174	182	190	198
CCC commodity program assistance .....			9,641	8,555	8,403	8,488	8,437	8,383	8,372	8,346	8,313
Compact of free association .....				144	144	144	144	144	144	144	144
Food stamps:											
Benefit costs .....			18,187	18,983	19,951	20,939	21,875	22,913	23,853	24,797	25,698
State administrative expenses .....			2,034	2,099	2,165	2,234	2,377	2,451	2,529	2,608	2,716
Employment and training .....			337	342	347	352	358	363	369	375	381
Other program costs .....			71	69	69	70	70	72	72	72	74
Nutrition assistance for Puerto Rico .....			1,370	1,407	1,445	1,484	1,524	1,565	1,607	1,650	1,695
Food donations on Indian reservations .....			75	76	78	79	81	83	84	86	88
The emergency food assistance program commodities .....			100	100	100	100	100	100	100	100	100
Fund for Rural America .....				32	43	53	61	61	61	61	61
Future Agriculture and Food Systems initiative .....				6	48	90	120	120	120	120	120
NAFTA transitional trade adjustment assistance .....		30	60	69	70	72	73	74	76	78	79
Promoting safe and stable families .....		46	241	293	299	305	305	305	305	305	305
Temporary assistance for needy families (TANF):											
State family assistance grants (SFAG) .....			16,489	16,489	16,489	16,489	16,489	16,489	16,489	16,489	16,489
SFAG to territories .....			78	78	78	78	78	78	78	78	78
Bonus to reward high performing States .....				200	200	200	200	200	200	200	200
Bonus to reward decrease in illegitimacy .....			100	100	100	100	100	100	100	100	100
Tribal work program .....			8	8	8	8	8	8	8	8	8
Trade adjustment assistance .....		282	323	355	367	378	390	402	415	428	441
Revenues:											
Airport and airway trust fund taxes <sup>2</sup> .....								14,476	15,923	16,896	17,898
Aquatic resources trust fund taxes <sup>2</sup> .....						310	318	324	331	337	344
Highway trust fund taxes <sup>2</sup> .....						33,678	34,910	35,869	36,854	37,854	38,873
Leaking Underground Storage Tank taxes <sup>2</sup> .....					104	211	214	221	225	229	235

**Table IV-10. Impact of Regulations, Expiring Authorizations, and Other Assumptions in the Baseline—Continued**

(In millions of dollars)

Category	Estimate										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Provisions not extended in the baseline (effect of extension) <sup>3</sup> .											
Spending:											
Census: survey of program dynamics .....			10	10	10	10	10	10	10	10	10
Civil service retirement:											
Increased non-Postal agency contributions for employees of 1.51 percent .....			-316	-373	-327	-287	-242	-192	-138	-76	-22
Medicare, HI:											
Reduction in PPS Capital Payments (BBA 4402) .....			-180	-220	-230	-240	-260	-270	-280	-290	NA
Reduction in PPS Capital Payments (BBA 4412) .....			-130	-150	-160	-170	-180	-190	-190	-200	NA
Medicare, SMI:											
Medicare low income premium assistance .....			80	90	100	110	120	130	140	150	NA
Medicaid:											
Emergency services for undocumented aliens .....		25	25	25	25	25	25	25	25	25	NA
Spectrum auction authority .....									-500	-500	-500
Veterans medical care: pharmaceutical copay .....			-120	-120	-120	-120	-120	-220	-220	-220	-220
<b>OTHER IMPORTANT PROGRAM ASSUMPTIONS</b>											
Child support enforcement (CSE):											
Effect of hold harmless payments to States .....	10	10									
Effect of enhanced automated system matching rates ....	32	13									
Penalties for Family Support Act systems and State-wide Disbursement Unit requirements .....	-148	-194	-100	-15							
Effect of enhanced rate of paternity testing .....	8	8	9	9	10	10	10	11	11	12	12
Food stamps:											
Tax offset, recoupment, and general claims collection ....	-177	-177	-177	-177	-177	-177	-177	-177	-177	-177	-177
Quality control liabilities .....	-68	-72	-77	-76	-80	-87	-92	-96	-100	-104	-108
Allocation of administrative costs between public assistance programs .....	-197	-197	-197	-197	-197	-197	-197	-197	-197	-197	-197
State incentive payments .....	42	46	47	49	50	52	53	55	56	58	60
Non-employment and training costs of BBA changes to work requirement for able-bodied adults without dependents .....	90	105	110	115	120	125	130	135	140	145	150
Administrative actions to promote employment and training program .....	15	25	30	31	32	33	34	35	36	37	38
Medicare: Medicare Integrity Program (MIP) <sup>4</sup> .....	-10,660	-10,970	-11,290	-11,290	-11,290	-11,290	-11,290	-11,290	-11,290	NA	NA
Medicaid:											
Home and Community Care for the Frail Elderly (Section 1929) .....	100	110	120	130	140	150	160	170	NA	NA	NA
Financial management recoveries .....	-171	-187	-204	-223	-244	-267	-291	-316	-343	-373	-405
Vaccines for Children, total program costs .....	775	796	792	784	821	853	796	813	819	844	844

**Table IV-10. Impact of Regulations, Expiring Authorizations, and Other Assumptions in the Baseline—  
Continued**

(In millions of dollars)

Category	Estimate										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Personal Responsibility and Work Opportunity Reconciliation Act of 1996 .....	-800	-1,650	-1,885	NA	NA	NA	NA	NA	NA	NA	NA
Allocation of administrative costs between public assistance programs .....	311	355	393	432	471	509	549	593	640	692	747
48 Hour Maternity Stay .....	20	20	20	20	20	20	20	NA	NA	NA	NA
Adoption and Safe Families Act of 1997 .....	2	2	2	2	3	3	4	NA	NA	NA	NA
SSI change in effective date for benefits (medicaid effect) .....	10	15	15	15	15	20	20	20	NA	NA	NA
HHS Inspector General: Audit and Investigative Recoveries .....	-840	-980	-1,050	-1,050	NA	NA	NA	NA	NA	NA	NA
State children's health insurance program (Title XXI) .....	4,035	3,355	4,072	4,260	4,290	4,370	4,460	4,560	4,600	5,030	5,160
Approved Demonstrations: <sup>5</sup>											
Medicare:											
Costs .....	1,314	3,499	5,835	5,523	86	.....	.....	.....	.....	.....	.....
Replacement Benefits .....	1,328	3,528	5,879	5,565	88	.....	.....	.....	.....	.....	.....
Medicaid:											
Costs .....	29,373	26,352	1,664	1,524	10	1	.....	.....	.....	.....	.....
Replacement Benefits .....	29,373	26,352	1,664	1,524	10	1	.....	.....	.....	.....	.....
Joint medicare and medicaid:											
Costs .....	2,234	2,308	2,337	2,307	.....	.....	.....	.....	.....	.....	.....
Replacement Benefits .....	2,052	2,115	2,144	2,107	.....	.....	.....	.....	.....	.....	.....
OASI, DI, SSI:											
Expansion of tax refund offset to debts previously written off (OASI, DI) .....	-44	-44	-44	-44	-44	-44	-44	-44	-44	-44	-44
Performance of continuing disability reviews (baseline levels) (OASI, DI, SSI) .....	-485	-975	-1,425	-1,820	-2,260	-2,520	-2,735	-3,160	-3,480	-3,795	-4,235
Collection of overpayments:											
OASI .....	-981	-976	-973	-971	-971	-971	-971	-971	-971	-971	-971
DI .....	-335	-353	-361	-366	-368	-368	-368	-368	-368	-368	-368
SSI .....	-783	-822	-842	-851	-856	-856	-856	-856	-856	-856	-856
Debts written off as uncollectable (no effect on outlays):											
OASI .....	94	93	92	91	90	90	90	90	90	90	90
DI .....	272	287	294	297	299	299	299	299	299	299	299
SSI .....	526	488	450	412	374	374	374	374	374	374	374
DI:											
Payments to states for vocational rehabilitation .....	86	73	63	53	37	41	45	49	53	57	61
Limitation on prisoner's benefits .....	-38	-38	-43	-46	-51	-57	-62	-66	-73	-78	-82
Research and demonstration projects .....	6	12	12	12	12	6	.....	.....	.....	.....	.....
OASI: limitation on prisoner's benefits .....	-16	-17	-18	-20	-22	-25	-26	-29	-31	-33	-35
SSI:											
Payments from states for state supplemental benefits	-3,554	-3,660	-3,785	-3,914	-4,073	-4,168	-4,263	-4,387	-4,139	-4,647	-4,780
Payments for state supplemental benefits .....	3,554	3,660	3,785	3,914	4,073	4,168	4,263	4,387	4,139	4,647	4,780

**Table IV-10. Impact of Regulations, Expiring Authorizations, and Other Assumptions in the Baseline—  
Continued**  
(In millions of dollars)

Category	Estimate										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fees for administration of State supplement:											
Treasury share .....	150	152	153	155	157	159	160	162	164	165	166
SSA share .....	100	106	115	123	132	141	151	160	157	182	192
Research and demonstration projects .....	37	41	30	30	30	30	30	30	30	30	30
Payments to states for vocational rehabilitation .....	71	58	59	59	57	54	52	49	51	53	55
Performance of non-disability redeterminations .....	-279	-221	-27	-17	-10	-8	-6	-4	-2	.....	.....
Ticket to work grant programs:											
Infrastructure grant program .....	16	25	30	35	40	41	42	43	44	45	46
Demonstration to maintain independence and employment .....	.....	4	11	15	18	24	18	13	9	7	6
TANF:											
Transfers from TANF to SSBG .....	600	500	600	700	700	700	700	700	700	.....	.....

NA = Not available.

<sup>1</sup> Not shown on the table are medicare and medicaid regulations that have not been specifically priced.

<sup>2</sup> Net of income offsets.

<sup>3</sup> See Table 2 in this Section for a listing of additional expiring provisions.

<sup>4</sup> These amounts reflect gross MIP savings that are not offset with MIP costs.

<sup>5</sup> Estimates for demonstrations reflect Federal costs of the projects. Replacement benefits represent the program costs in the absence of the demonstrations. The differences represent the net impact of the demonstration projects on the baseline. DoD Medicare Subvention demonstration is reflected under BBA97 codifying regulations.

**Table IV-11. Baseline Receipts by Source**  
(In billions of dollars)

Source	2000 Actual	Estimate										
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Individual income taxes .....	1,004.5	1,061.3	1,097.1	1,139.4	1,188.3	1,250.3	1,319.6	1,396.8	1,479.4	1,568.4	1,663.6	1,765.7
Corporation income taxes .....	207.3	211.9	213.7	216.8	221.8	230.1	238.8	248.1	256.9	264.0	270.6	277.4
Social insurance and retirement receipts .....	652.9	688.4	724.8	763.4	801.2	851.2	891.7	938.0	983.5	1030.8	1088.2	1145.3
Excise taxes .....	68.9	71.4	74.2	76.4	78.5	80.9	82.8	85.2	87.7	90.3	93.1	96.0
Estate and gift taxes .....	29.0	31.2	33.0	35.5	38.1	36.4	36.7	38.5	41.3	43.9	46.7	49.6
Customs duties .....	19.9	21.4	23.2	24.4	25.0	26.1	27.6	29.1	30.4	32.7	34.2	35.9
Miscellaneous receipts:												
Federal Reserve System deposit of earnings ...	32.3	27.9	32.6	33.4	34.8	36.4	37.9	39.5	41.4	43.3	45.2	47.2
Other .....	10.5	11.2	11.2	12.0	12.8	13.3	14.2	13.3	13.9	14.7	15.6	16.5
Total, miscellaneous receipts .....	42.8	39.2	43.8	45.4	47.6	49.7	52.1	52.8	55.3	58.0	60.8	63.7
Total, governmental receipts .....	2,025.2	2,124.6	2,209.7	2,301.3	2,400.6	2,524.7	2,649.3	2,788.4	2,934.4	3,088.1	3,257.2	3,433.6

**Table IV-12. Baseline Outlay Totals by Category**  
(In billions of dollars)

Category	2000 Actual	Estimate										
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Outlays:												
Discretionary:												
Defense .....	295.0	303.7	306.7	321.1	331.0	340.7	350.6	360.1	369.2	379.5	390.2	401.3
Non-Defense .....	322.0	350.5	374.9	388.7	397.5	408.0	418.3	429.8	441.7	452.7	464.9	474.7
Subtotal, discretionary .....	617.0	654.1	681.5	709.8	728.5	748.7	768.9	789.9	810.9	832.2	855.1	876.0
Mandatory:												
Social Security .....	406.0	431.4	451.3	473.6	498.7	526.4	556.2	588.9	624.5	664.6	708.7	756.0
Medicare and Medicaid .....	312.0	347.7	369.2	394.2	421.6	456.8	482.6	522.2	561.5	603.8	649.1	704.3
Means-tested entitlements <sup>1</sup> .....	105.2	108.7	114.5	120.2	125.0	132.3	134.6	136.5	144.1	148.8	154.1	162.1
Other mandatory .....	125.5	116.2	124.2	122.8	129.3	147.9	153.5	160.3	172.6	182.8	192.4	199.5
Subtotal, mandatory .....	948.8	1,004.0	1,059.2	1,110.8	1,174.4	1,263.3	1,326.8	1,407.9	1,502.7	1,599.9	1,704.3	1,822.0
Net interest .....	223.2	210.2	192.0	173.8	154.6	132.8	107.8	81.2	51.4	18.3	-19.3	-74.6
Total Outlays .....	1,789.0	1,868.3	1,932.8	1,994.4	2,057.5	2,144.8	2,203.5	2,279.1	2,364.9	2,450.4	2,540.1	2,623.4

<sup>1</sup> Food stamps, TANF/family support, SSI, child nutrition, EITC, veterans pensions, children's health insurance fund.

**Table IV–13. Baseline Outlays by Function**  
(In billions of dollars)

Function	2000 Actual	Estimate										
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
National defense:												
Department of Defense—Military .....	281.2	288.0	290.4	304.2	313.7	323.1	332.7	341.9	350.7	360.5	370.9	381.5
Other .....	13.3	15.3	16.1	16.6	16.7	17.1	17.2	17.6	17.9	18.4	18.8	19.2
Total, National defense .....	294.5	303.2	306.5	320.8	330.5	340.1	349.9	359.5	368.6	378.9	389.6	400.7
International affairs .....	17.2	15.5	18.7	18.4	18.3	18.6	19.1	19.8	20.5	21.1	21.8	22.4
General science, space, and technology .....	18.6	19.7	20.7	21.4	22.1	22.6	23.1	23.6	24.1	24.7	25.3	25.9
Energy .....	-1.1	-0.6	-0.3	*	-0.7	-0.7	-0.3	-0.4	2.0	2.1	2.2	2.4
Natural resources and environment .....	25.0	27.5	29.7	30.7	31.4	32.2	33.1	34.1	35.1	36.0	37.0	38.0
Agriculture .....	36.6	25.5	18.8	15.5	14.5	14.6	15.0	15.4	15.8	16.3	16.8	17.1
Commerce and housing credit .....	3.2	7.1	6.1	3.9	3.4	4.2	3.8	5.6	5.5	6.7	7.3	7.1
Transportation .....	46.9	51.1	55.3	58.2	60.5	62.8	64.6	66.2	67.9	69.7	71.3	73.1
Community and regional development .....	10.6	10.6	11.5	11.7	11.9	11.9	11.9	12.0	12.2	12.5	12.8	13.2
Education, training, employment, and social services .....	59.4	66.1	76.7	80.5	81.5	83.3	85.5	87.8	90.4	92.9	95.7	95.8
Health .....	154.5	172.9	190.5	208.6	224.6	241.7	259.7	279.4	300.6	323.1	348.9	373.9
Medicare .....	197.1	222.1	229.8	244.2	257.8	278.0	287.8	309.9	330.2	352.4	375.3	407.0
Income security .....	247.9	258.3	272.4	285.7	297.2	312.2	322.9	333.1	349.3	361.6	375.4	392.9
Social security .....	409.4	435.0	454.9	477.3	502.5	530.3	560.3	593.1	628.9	669.2	713.4	760.9
Veterans benefits and services .....	47.1	45.3	50.8	53.3	56.0	61.0	60.6	60.3	64.8	67.8	69.9	72.1
Administration of justice .....	28.0	29.4	32.4	33.1	35.3	36.2	37.1	38.3	39.5	40.8	42.2	43.6
General government .....	13.2	16.7	16.9	17.0	17.7	18.0	18.4	19.1	19.6	20.1	20.7	21.3
Net interest .....	223.2	210.2	192.0	173.8	154.6	132.8	107.8	81.2	51.4	18.3	-19.3	-74.6
Allowances .....		-0.1	-*	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Undistributed offsetting receipts:												
Employer share, employee retirement (on- budget) .....	-30.2	-31.3	-32.6	-36.2	-37.6	-39.2	-40.8	-42.4	-44.3	-46.1	-48.0	-50.0
Employer share, employee retirement (off- budget) .....	-7.6	-8.3	-8.5	-9.2	-9.9	-10.7	-11.4	-12.2	-13.1	-14.0	-15.0	-16.2
Rents and royalties on the Outer Continental Shelf .....	-4.6	-6.1	-5.2	-4.5	-4.3	-4.1	-3.9	-3.8	-3.6	-3.5	-3.4	-3.3
Sale of major assets .....				-0.3								
Other undistributed offsetting receipts .....	-0.2	-1.6	-4.4	-9.7	-9.7	-1.3	-0.7	-0.7	-0.7	-*	-*	-*
Total, Undistributed offsetting receipts .....	-42.6	-47.2	-50.7	-59.8	-61.4	-55.3	-56.8	-59.1	-61.7	-63.7	-66.5	-69.6
<b>Total .....</b>	<b>1,789.0</b>	<b>1,868.3</b>	<b>1,932.8</b>	<b>1,994.4</b>	<b>2,057.5</b>	<b>2,144.8</b>	<b>2,203.5</b>	<b>2,279.1</b>	<b>2,364.9</b>	<b>2,450.4</b>	<b>2,540.1</b>	<b>2,623.4</b>

\* \$50 million or less.



**Table IV-14. Baseline Outlays by Agency**  
(In billions of dollars)

Agency	2000 Actual	Estimate										
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Legislative Branch .....	2.9	3.1	3.0	3.1	3.2	3.3	3.4	3.5	3.6	3.7	3.8	3.9
Judicial Branch .....	4.1	4.5	4.6	4.7	4.8	5.0	5.2	5.3	5.5	5.7	5.9	6.1
Agriculture .....	75.7	69.1	64.1	63.4	64.4	66.5	69.0	71.6	74.1	76.9	79.8	82.1
Commerce .....	7.8	5.8	5.0	5.2	5.1	5.1	5.1	5.3	5.5	5.8	6.0	6.2
Defense—Military .....	281.2	288.0	290.4	304.2	313.7	323.1	332.7	341.9	350.7	360.5	370.9	381.5
Education .....	34.0	38.2	45.2	48.5	49.3	50.2	51.2	52.4	53.7	54.9	56.2	54.7
Energy .....	15.0	16.8	17.6	18.3	18.6	18.9	19.1	19.5	20.4	20.8	21.3	21.8
Health and Human Services .....	382.6	429.4	457.6	486.3	516.5	554.3	582.6	624.8	666.6	711.5	760.0	818.3
Housing and Urban Development .....	30.8	37.2	35.1	35.3	34.5	35.0	35.6	36.5	36.9	37.2	37.9	38.7
Interior .....	8.0	9.0	10.1	10.4	10.6	11.0	11.3	11.7	12.0	12.4	12.8	13.2
Justice .....	19.6	20.5	22.9	23.4	23.8	24.3	25.1	25.9	26.7	27.5	28.4	29.4
Labor .....	31.4	35.0	39.6	43.1	44.8	47.3	50.0	52.9	56.0	58.2	60.6	63.2
State .....	6.8	9.4	9.2	8.9	8.8	8.9	9.1	9.3	9.6	9.8	10.1	10.4
Transportation .....	46.0	50.6	55.0	57.7	59.9	62.2	64.0	65.6	67.3	69.0	70.6	72.3
Treasury .....	391.2	389.5	384.9	381.2	379.5	374.7	368.4	363.1	356.2	347.7	334.5	305.1
Veterans Affairs .....	47.1	45.2	50.7	53.2	55.9	60.9	60.5	60.2	64.7	67.7	69.8	72.0
Corps of Engineers .....	4.3	4.4	4.7	4.8	4.9	5.0	5.2	5.3	5.5	5.6	5.8	5.9
Other Defense Civil Programs .....	32.9	34.4	35.4	38.2	39.3	40.5	41.6	42.9	44.2	45.4	46.7	48.0
Environmental Protection Agency .....	7.2	7.5	7.7	7.9	8.1	8.4	8.6	8.8	9.1	9.3	9.5	9.7
Executive Office of the President .....	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Federal Emergency Management Agency .....	3.1	3.1	2.9	3.1	2.9	2.8	2.6	2.4	2.4	2.4	2.5	2.6
General Services Administration .....	*	0.6	-0.1	0.4	0.6	0.7	0.7	0.7	0.7	0.7	0.8	0.8
International Assistance Programs .....	12.1	11.5	12.6	12.6	12.6	12.8	13.1	13.5	13.9	14.3	14.7	15.0
National Aeronautics and Space Administration .....	13.4	13.8	14.3	14.7	15.2	15.6	15.9	16.3	16.7	17.1	17.5	18.0
National Science Foundation .....	3.5	3.9	4.3	4.5	4.7	4.8	4.8	4.9	5.0	5.2	5.3	5.4
Office of Personnel Management .....	48.7	51.0	53.4	56.3	59.9	63.6	67.4	71.5	76.1	80.6	86.4	90.5
Small Business Administration .....	-0.4	-0.9	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.1	1.1
Social Security Administration .....	441.8	463.8	487.3	511.1	537.8	569.8	599.0	630.8	670.9	712.9	758.9	811.4
Other Independent Agencies .....	10.6	12.5	17.8	16.3	16.9	18.4	19.5	21.3	23.5	24.9	26.1	26.6
Allowances .....	.....	0.6	0.4	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.5
Undistributed Offsetting Receipts .....	-172.8	-189.3	-204.4	-224.1	-240.5	-250.1	-269.2	-291.0	-314.5	-339.2	-364.4	-391.4
<b>Total .....</b>	<b>1,789.0</b>	<b>1,868.3</b>	<b>1,932.8</b>	<b>1,994.4</b>	<b>2,057.5</b>	<b>2,144.8</b>	<b>2,203.5</b>	<b>2,279.1</b>	<b>2,364.9</b>	<b>2,450.4</b>	<b>2,540.1</b>	<b>2,623.4</b>

\* \$50 million or less.

**Table IV-15. Baseline Discretionary Budget Authority by Function**  
(In billions of dollars)

Function	2000 Actual	Estimate										
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
National defense:												
Department of Defense—Military .....	287.7	296.1	306.0	314.4	323.2	332.2	341.5	351.1	361.1	371.3	381.9	392.8
Other .....	13.4	15.0	15.3	15.7	16.0	16.4	16.8	17.2	17.6	18.0	18.4	18.8
Total, National defense .....	301.2	311.0	321.3	330.1	339.2	348.6	358.3	368.3	378.6	389.3	400.2	411.6
International affairs .....	23.5	22.7	23.2	23.7	24.3	24.9	25.5	26.1	26.7	27.3	27.9	28.6
General science, space, and technology .....	19.2	20.8	21.3	21.8	22.3	22.8	23.3	23.9	24.4	25.0	25.6	26.2
Energy .....	2.7	3.1	2.9	2.9	3.0	3.1	3.5	3.6	4.2	4.3	4.4	4.5
Natural resources and environment .....	24.7	28.8	29.7	30.4	31.3	32.2	33.1	34.1	35.1	36.1	37.2	38.3
Agriculture .....	4.5	4.8	5.3	5.4	5.6	5.8	5.9	6.1	6.3	6.5	6.7	6.9
Commerce and housing credit .....	7.1	2.9	3.0	3.0	2.9	2.8	2.6	3.5	3.7	3.8	3.9	4.1
Transportation .....	15.2	19.1	19.7	20.3	20.9	21.6	22.2	22.9	23.6	24.4	25.1	25.9
Community and regional development .....	13.7	11.0	11.8	12.1	12.4	12.6	12.9	13.2	13.5	13.8	14.1	14.4
Education, training, employment, and social services .....	44.4	61.1	64.4	65.8	67.2	68.7	70.2	71.7	73.3	74.9	76.5	78.2
Health .....	33.8	38.9	39.8	40.7	41.7	42.7	43.7	44.8	45.8	46.9	48.1	49.2
Medicare .....	3.0	3.4	3.5	3.7	3.8	4.0	4.2	4.3	4.6	4.8	5.0	5.3
Income security .....	30.0	39.5	44.1	45.6	47.0	48.5	49.7	50.8	52.0	53.2	54.6	55.9
Social security .....	3.2	3.4	3.6	3.7	3.8	4.0	4.1	4.3	4.4	4.6	4.7	4.9
Veterans benefits and services .....	20.9	22.5	23.4	24.2	25.0	25.9	26.8	27.7	28.7	29.7	30.7	31.9
Administration of justice .....	27.0	30.0	31.1	32.0	33.1	34.2	35.3	36.5	37.7	39.0	40.3	41.6
General government .....	12.4	14.0	14.8	15.3	15.9	16.4	16.9	17.5	18.1	18.8	19.5	20.2
Allowances .....		-0.6										
<b>Total .....</b>	<b>586.6</b>	<b>636.5</b>	<b>662.9</b>	<b>680.6</b>	<b>699.4</b>	<b>718.5</b>	<b>738.2</b>	<b>759.4</b>	<b>780.8</b>	<b>802.4</b>	<b>824.6</b>	<b>847.7</b>

**Table IV-16. Baseline Discretionary Budget Authority by Agency**  
(In billions of dollars)

Agency	2000 Actual	Estimate										
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Legislative Branch .....	2.5	2.7	2.8	2.9	3.0	3.1	3.2	3.3	3.4	3.5	3.6	3.8
Judicial Branch .....	3.7	4.0	4.1	4.3	4.4	4.6	4.7	4.9	5.0	5.2	5.4	5.6
Agriculture .....	16.9	19.0	19.9	20.4	21.0	21.6	22.2	22.8	23.5	24.2	24.8	25.6
Commerce .....	8.7	5.1	5.1	5.2	5.3	5.3	5.2	5.5	5.7	5.9	6.1	6.4
Defense—Military .....	287.7	296.1	306.0	314.4	323.2	332.2	341.5	351.1	361.1	371.3	381.9	392.8
Education .....	29.4	39.9	42.7	43.6	44.5	45.4	46.4	47.4	48.4	49.4	50.5	51.5
Energy .....	17.8	19.7	19.9	20.2	20.7	21.2	21.7	22.2	23.2	23.7	24.2	24.8
Health and Human Services .....	45.5	53.9	55.2	56.5	57.8	59.2	60.7	62.2	63.7	65.3	66.9	68.6
Housing and Urban Development .....	23.1	30.8	34.9	36.1	37.3	38.5	39.3	40.2	41.0	42.0	43.0	44.0
Interior .....	8.5	10.2	10.7	10.8	11.1	11.4	11.8	12.2	12.5	12.9	13.3	13.7
Justice .....	18.8	21.0	21.7	22.4	23.1	23.9	24.6	25.4	26.3	27.1	28.0	28.9
Labor .....	8.8	11.9	12.3	12.7	13.1	13.5	13.9	14.3	14.7	15.0	15.4	15.8
State .....	7.8	7.5	7.7	7.9	8.1	8.3	8.5	8.8	9.0	9.2	9.4	9.7
Transportation .....	14.5	18.5	19.1	19.7	20.3	20.9	21.5	22.2	22.9	23.6	24.3	25.1
Treasury .....	12.5	14.0	14.6	15.1	15.7	16.3	16.8	17.5	18.1	18.8	19.5	20.2
Veterans Affairs .....	20.8	22.4	23.3	24.1	24.9	25.8	26.7	27.6	28.6	29.6	30.5	31.7
Corps of Engineers .....	4.1	4.6	4.7	4.8	4.9	5.1	5.2	5.4	5.5	5.7	5.8	6.0
Other Defense Civil Programs .....	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Environmental Protection Agency .....	7.6	7.8	8.0	8.2	8.5	8.7	8.9	9.1	9.4	9.6	9.9	10.2
Executive Office of the President .....	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Federal Emergency Management Agency .....	3.9	2.4	2.5	2.5	2.6	2.6	2.7	2.8	2.8	2.9	3.0	3.0
General Services Administration .....	—*	0.5	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9	1.0	1.0
International Assistance Programs .....	13.6	13.0	13.2	13.5	13.8	14.1	14.4	14.7	15.0	15.4	15.7	16.1
National Aeronautics and Space Administration .....	13.6	14.3	14.6	15.0	15.3	15.7	16.1	16.5	16.9	17.3	17.7	18.2
National Science Foundation .....	3.9	4.4	4.5	4.6	4.7	4.8	4.9	5.0	5.1	5.2	5.4	5.5
Office of Personnel Management .....	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Small Business Administration .....	0.9	0.3	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.1	1.1	1.1
Social Security Administration .....	5.6	6.0	6.3	6.5	6.7	6.9	7.2	7.4	7.7	8.0	8.3	8.6
Other Independent Agencies .....	5.8	6.3	6.6	6.7	6.9	7.0	7.4	8.4	8.6	8.8	8.9	9.1
Allowances .....	.....	-0.6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
<b>Total .....</b>	<b>586.6</b>	<b>636.5</b>	<b>662.9</b>	<b>680.6</b>	<b>699.4</b>	<b>718.5</b>	<b>738.2</b>	<b>759.4</b>	<b>780.8</b>	<b>802.4</b>	<b>824.6</b>	<b>847.7</b>

\* \$50 million or less.